

The Functional Areas of State Government

State agencies have traditionally been categorized into one of several functional areas for budgeting purposes. While appropriations are made to specific agencies rather than to functional areas, functional areas can provide a useful tool for understanding the allocation of state resources and analyzing trends.

Functional areas currently used in the capital budget include:

Governmental Operations and Transportation

Human Services

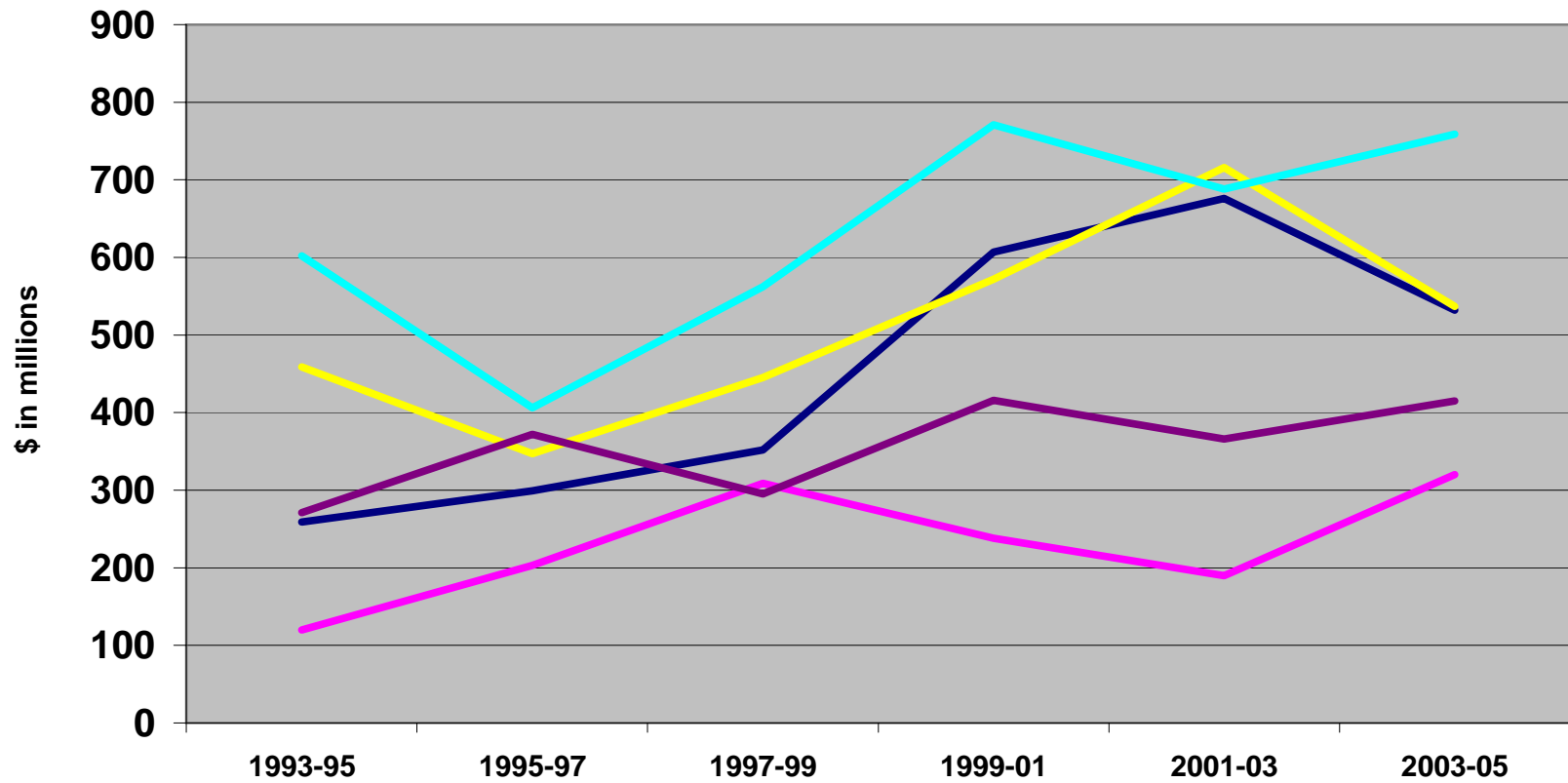
Natural Resources

Higher Education

Other Education

Following is an overview of each of these functional areas.

Capital Budget Functionanl Area History (Total Appropriations)



— Gov't Operations — Human Services — Natural Resources — Higher Education — Education

GOVERNMENTAL OPERATIONS

Overview

"Governmental operations" is an assortment of agencies that do not fit neatly into the other functional areas. Included are the traditional "core" agencies of state government (agencies headed by constitutionally elected officials, the Legislature, and the Judicial branch); agencies providing central services for the state (such as the Department of General Administration); as well as several other agencies. The largest governmental operations agency is the Department of Community, Trade, and Economic Development, which administers capital programs related to local government infrastructure and economic development. Governmental operations represents a wide assortment of capital projects, ranging from state office construction and historic preservation to the repair of Department of the Military readiness centers. Transportation is sometimes included in this category.

2003 Session

Governmental operations received \$495 million in the 2003-05 capital budget, about 21% of the total. Of this, \$261 million is for the Public Works Trust Fund to assist local governments with infrastructure projects important for public health and safety, and \$80 million is provided for housing assistance for low-income persons, developmentally disabled persons, victims of domestic violence, homeless families, farmworkers, and other housing needs. Funding was provided for the Building for the Arts Program (\$4.5 million), the Community Services Facilities Program (\$5.9 million), and for a variety of member-requested local/community projects (\$45 million). In addition, \$52 million is provided to improve or upgrade facilities that provide drinking water to local communities. Additional funding was provided for the Legislative Building renovation project.

Potential 2004 Issues

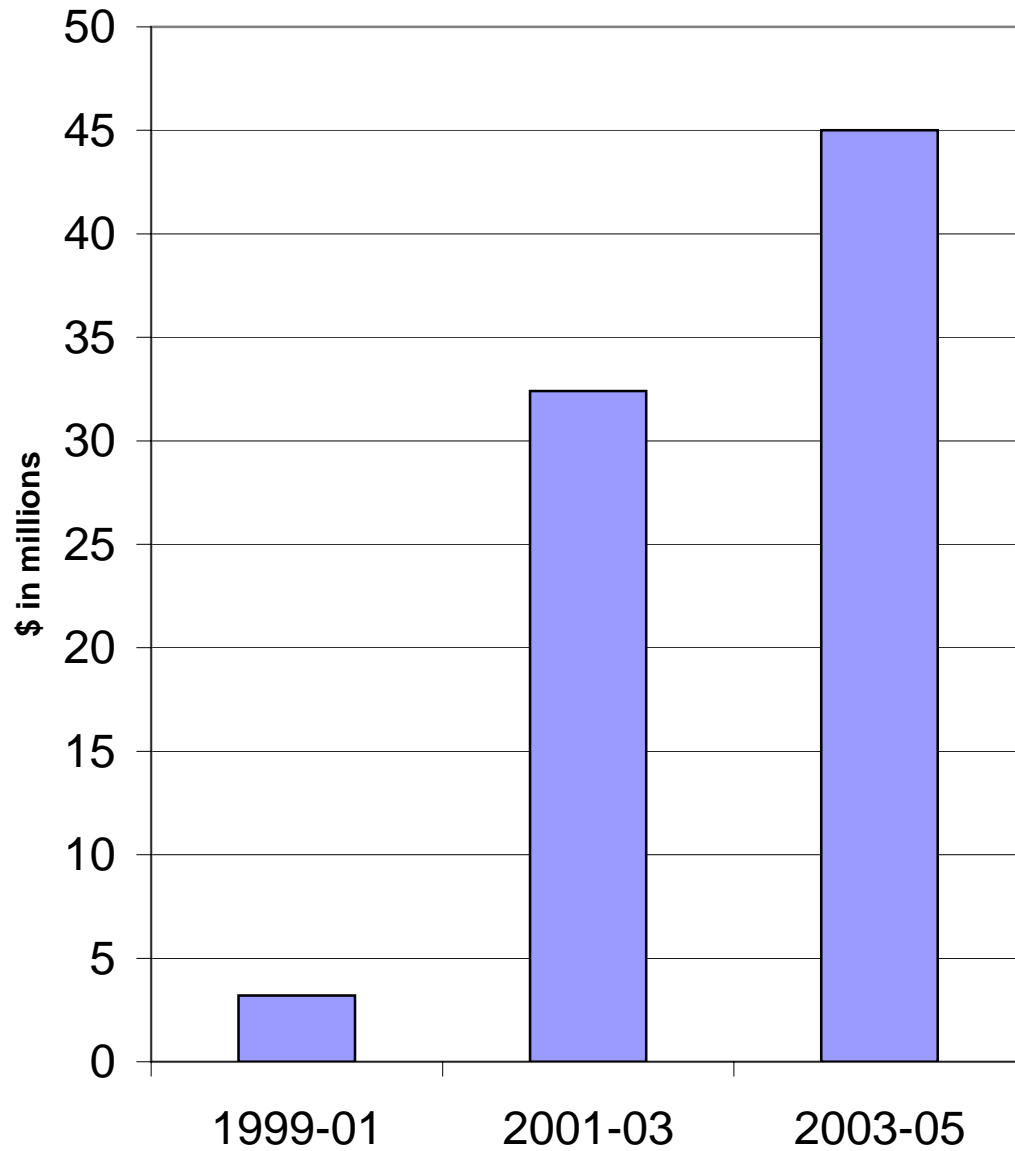
The Legislative Building renovation project is proceeding on a tight budget and schedule. The legislature and other tenants are scheduled to move back in over the last couple months of 2004. The tight schedule and unforeseen conditions discovered over the past several months raise schedule and budget risk which the Department of General Administration is trying to manage.

A recent state Court of Appeals case held that some nonprofit organizations constructing local/community projects are subject to public works requirements. The Department of Community, Trade, and Economic Development (CTED) is reviewing this case to analyze its impact on capital budget programs and projects it administers.

While CTED's statutory grant programs include a competitive application process, member-requested projects administered by CTED do not and have had varying degrees of information available, sometimes making administration of these projects difficult. The committee chair and ranking minority member have requested that members obtain more detailed project information on local/community projects members request to be included in the capital budget. The application they would like used is enclosed.

Local/Community Member-Requested Projects

(administered by CTED)



2003-2005 Local Community Project Legislative Application

Project Name _____

Legislative District _____

Project Contact

Legislative Sponsor:

Name(s) _____

Title _____

Organization _____

Phone: _____ Fax: _____

E-Mail: _____

Mailing Address: _____

Funding Requested \$ _____

(Note: Funds are available on a reimbursement basis only and cannot be advanced.)

Project Information (attach separate page for more detail):

Brief Project Summary, including project location, and the public benefit the project provides:

Start and Completion Dates: _____ to _____

☐

Attachments (Please enclose any materials that further describe the project.)

Eligible Project Type or Phase (Check all that apply to funding requested)

- ☐ Land acquisition
- ☐ Demolition and site preparation
- ☐ Design
- ☐ New Construction
- ☐ Renovation
- ☐ Other (describe) _____

% of Request

_____ %

_____ %

_____ %

_____ %

_____ %

_____ %

_____ % (should equal 100%)

Organization Information

Is applicant registered with the state as a non-profit organization?

Does applicant provide non-residential social services?

Does applicant have current or pending 501(c)(3) IRS registration?

Yes

No

☐
☐
☐
☐
☐
☐

Project Questions

Is this a joint project?

Yes**No**☐☐

If yes, has a joint operating agreement been signed? (Documentation required later.)

☐☐Is the site ☐ owned, ☐ optioned for purchase or ☐ under a lease of 5 years or more with renewal options? (Documentation required later.)☐☐

Has the applicant initiated a capital fundraising campaign?

☐☐

If yes, what % of matching funds have been secured? _____

What other sources of matching funds are available?

Has the project received previous state funding?

☐☐If yes, detail dates, programs and amounts.

Has the project previously applied for and not received state funding?

☐☐If yes, detail dates, programs and amounts.

Is the project currently in application for or are there plans to apply for other sources of state funding?

☐☐If yes, detail dates, programs and amounts.

If this will not be a completed project after the requested state funding and matching funds are used, describe: (1) what the project will be at the completion of the portion funded by this request and how it will benefit the public; and (2) the phases and schedule for completion of the project.

What source of nonstate funds exist for completion of the project and its ongoing maintenance and operation?

Legislative Sponsor
(Signature)_____

Date_____

HUMAN SERVICES

Overview

"Human services" includes those agencies charged with serving the health and safety needs of the state's population, including the Departments of Social & Health Services, Corrections, Veterans Affairs, and Health. Most human resource capital projects involve construction and repair of state institutions such as mental health hospitals, prisons, juvenile rehabilitation facilities, veterans homes, and facilities for developmentally disabled persons.

2003 Session

Human services agencies received \$320 million in the 2003-05 capital budget, about 12% of the total budget. Funding was provided for expansion and remodeling of Department of Corrections facilities in response to an increasing inmate population and the need for additional maximum-security beds. A new north complex is funded (\$134 million) at the Washington State Penitentiary (in Walla Walla) to provide 768 million maximum security beds. In addition, \$18 million is provided to remodel 324 medium beds into close custody beds at the Penitentiary, and \$19 million is provided for a new 100 bed intensive management unit at the Monroe facility.

\$44 million was provided to the Department of Social and Health Services to improve facilities for juvenile rehabilitation, mental health facilities, the Special Commitment Center and related regional facility, and includes \$6 million for consolidation and repair of residential habilitation facilities for developmentally disabled persons.

Possible 2004 Issues

The Department of Corrections is requesting, and the Governor is proposing, to begin construction of a 768-bed medium security addition to Coyote Ridge near Connell, Washington. The request is \$45 million for 2004 for design, sitework, and the foundation for the new facility. Another \$90 million likely will be requested for this project in the 2005-07 biennium. Continuing increases in the prison forecast and a need for medium security beds are the primary reasons the department is making this request. Following is a more detailed discussion of this proposal.

Coyote Ridge Medium Security Prison

Location

Coyote Ridge Minimum Security Prison is located in Connell, Washington. The Department of Corrections has received funding in prior biennia to obtain water right options and purchase adjacent property with the expectation that the prison would be expanded on that property. Negotiations are underway for purchase of 66 acres between SR 395 and the prison site. Two other properties totaling 105 acres have already been purchased. Current ownership totals 245 acres.

Relationship to Other Prison Projects

During the 2003 Legislative session the Department of Corrections received funding to develop a net increase in capacity of 768 close security beds and 100 maximum security beds at the Washington State Penitentiary. Although the Department at one time considered locating these beds at Coyote Ridge, it was later determined that close security beds were a better fit at the Washington State Penitentiary because of the long established facility culture in dealing with close custody offenders.

A related project at the Washington State Penitentiary requires that an existing facility housing 432 medium security offenders be razed in order to complete the South Close Security Complex at the Penitentiary, meaning these medium security offenders must be housed elsewhere.

November 2003 Forecast

Anticipated population increases shown in the November 2003 Adult Offender Forecast (an additional 674 offenders above the 2003-2005 budget levels) and reductions in medium security capacity from construction and other issues have increased the demand for medium security beds. There is not current capacity to absorb the offenders from the Penitentiary and accommodate the expected increase in population. As a result, the department believes Coyote Ridge Corrections Center Phase I expansion of 768 medium beds is necessary earlier than originally anticipated.

Proposal

The proposal in the 2004 Supplemental Capital Budget is Phase I of a two phase project. In addition to the 2004 Supplemental request of \$45.6 million, the Department plans to submit a capital request of approximately \$90 million in the 2005-07 biennium for a total project cost of \$138 million. Phase I development includes design of site work and off site improvements as well as the first 768 beds of housing, 100 beds of segregation and core service areas as well as construction of on site grading, roads and utilities and off site improvements. Of the Department's request for \$45.6 million, approximately \$38 million or 83% is for construction of on site civil and utility work as well as off-site road and utility work.

NATURAL RESOURCES

Overview

"Natural resources" includes those agencies responsible for protecting environmental quality (eg. Department of Ecology), providing outdoor recreational opportunities (eg. State Parks and Recreation Commission), and managing state lands and waters for resource production (eg. Department of Natural Resources). Natural resource capital projects include repairing logging roads, grants for sewage treatment plants, recreational trail construction, and salmon recovery efforts.

The natural resources functional area includes funding primarily for the following purposes: environmental protection (pollution prevention and clean-up); water quality and quantity (availability of clean water for drinking, farming, fish, recreational, commercial and other purposes); salmon recovery and wildlife management and protection; and land and resource management (state parks and trustlands).

2003 Session

Natural resources received \$495 million in the 2003-05 capital budget, about 21% of the total. Of this, \$255 million was provided for salmon and water programs, while over \$144 million was provided to improve public access to recreational opportunities and preserve open space and habitat. Major programs include:

Clean Water - Funding was provided for several programs to improve the quality and quantity of water in Washington State for a variety of needs including drinking water, salmon recovery, and recreation. These include \$46 million for the Centennial Clean Water Program, \$111 million for the Water Pollution Control Program, and \$14 million for the Water Supply Facilities Program.

Salmon Recovery - \$71 million was provided specifically for salmon recovery programs. In addition, there are funds for a variety of programs to protect streams, groundwater, and riparian areas that help protect salmon.

Land for Forest, Wildlife and Recreational Purposes - \$45 million was provided for the Washington Wildlife and Recreation Program. \$55 million in state bonds was provided for the Trust Land Transfer Program. \$21 million was provided for making capital improvements in state parks.

Possible 2004 Issues

Salmon recovery and water quality and quantity efforts will be topics in the 2004 session. The Governor's 2004 supplemental budget includes additional funding proposals in these areas. Trust land management and funding will also likely be topics in 2004.

Salmon Recovery Efforts

Initiation of salmon recovery efforts.

The state has general programs and policies in each functional area. In addition, policy-makers occasionally focus on specific issues or tasks that arise in a particular functional area. This is true for salmon recovery efforts in the natural resources area beginning primarily in the late 1990s. Natural resources programs historically have promoted clean and available water, sufficient land/habitat for wildlife and outdoor recreational use, and wildlife management and protection. While these programs benefit salmon and other wildlife generally, the declaration of some salmon and steelhead runs as threatened or endangered under the federal Endangered Species Act (ESA) facilitated more specific salmon recovery efforts in the state. With the listing of salmon, steelhead, and bull trout under ESA, recovery plans by geographic regions are required by federal law.

Keys to salmon recovery.

Salmon recovery is a very complicated and difficult task in a variety of ways. The life-cycle of salmon and other threatened/endangered species, the very large geographical areas of the state that affect just one species, the variety of natural and man-made obstacles that must be addressed, the differing scientific and policy opinions, the large number of government jurisdictions and public and private stakeholders affected, and the monetary and other resources required make salmon recovery efforts very challenging.

Generally, salmon recovery policy efforts focus on the following:

- **Oversight and planning.** This includes state oversight and planning, regional planning, and watershed planning. The planning includes forming the planning organization, defining the problem and recovery goals, developing a plan to accomplish objectives necessary to achieving the recovery goals, implementing the plan, and ongoing assessment of the implementation and making necessary changes. Coordination of planning efforts, jurisdictions, and stakeholders likely will be especially challenging.
- **Habitat protection and restoration.** This includes protecting and restoring river and stream beds themselves, the riparian areas around the rivers and streams, estuaries and other natural habitat, and providing an adequate supply of clean water necessary for the lifecycle of the fish.
- **Hatcheries.** This includes hatcheries management and facilities modifications consistent with salmon recovery efforts.
- **Fisheries management.** This includes harvest management in conjunction with tribes.

ESHB 2496 and ESHB 2514

In anticipation of the ESA actions related to salmon, the legislature enacted two bills in 1998 to focus and launch salmon recovery efforts at the state level.

ESHB 2496 was the Salmon Recovery Act. Among other things, the act: (1) created the Salmon Recovery Office in the Governor's Office; (2) provided for habitat restoration lists and project funding; (3) created an independent science panel; (4) established a workgroup process to develop mitigation proposals; (5) provided for technical assistance; and (6) required a biennial state of the salmon report.

ESHB 2514 provided for integrated watershed planning and management. Among other things, the act: (1) authorized watershed planning for one or more of the 62 water resource inventory areas (WRIAs); (2) outlined items the planning unit should consider and coordinate; (3) provided for water quantity, water quality, and habitat components in watershed planning; (4) allowed consideration of instream flows; (5) included limitations on watershed planning; and (6) provided for approval of watershed plans and financial assistance.

Primary salmon recovery planning and funding organizations

- Federal agencies. (NOAA-Fisheries, U.S. Department of Fish and Wildlife Services).
- State agencies. (Department of Fish and Wildlife, Department of Ecology, State Conservation Commission, Interagency Committee for Outdoor Recreation; the Governor's Salmon Office).
- Regional organizations. (Five of the seven regions have formed regional recovery organizations: the Puget Sound region, the Lower Columbia River region, which was created by statute; the Mid-Columbia region; the Upper Columbia region; and the Snake River region. The Coastal region and the Northeast Washington region have not formed planning organizations.)
- Water resource inventory areas (WRIAs). Formed by the counties, the largest city or cities for multi-county WRIAs, and the largest water supply utility; invite tribes to participate; invite wide range of water resource interests to participate; and lead agencies (designated by the primary organizers of WRIAs to coordinate and facilitate staff and the planning effort).

Salmon recovery funding

It has been difficult to specifically identify the level of salmon recovery funding, primarily because so many traditional natural resource programs indirectly assist salmon recovery efforts. Also, salmon recovery spending occurs in all 3 state budgets. Here is a rough estimate of salmon recovery spending beginning with the 1999-01 biennium:

	<u>1999-01</u>	<u>2001-03</u>	<u>2003-05</u>
Federal	\$125 million	\$100 million	\$65 million
State	<u>\$100 million</u>	<u>\$90 million</u>	<u>\$70 million</u>
Total	\$225 million	\$190 million	\$135 million

Here is an estimate of salmon recovery spending in the 2003-05 biennium:

2003-05 Capital Budget

Department of Ecology

Centennial Clean Water (salmon-related water projects)	\$8 million
Water Supply Facilities Program	\$13.6 million
Water Rights Purchase/Lease	
\$3 million	

IAC

Family Forest Fish Blockage Program	\$2 million
Hatchery management program	\$10 million
Salmon Recovery Fund Board	\$46.4 million
WWRP (estimate of salmon-related)	\$6 million

Fish & Wildlife

Fish & Wildlife population/habitat protection	\$10.4 million
Hatchery reform, retrofits, improvements	\$13.9 million
Internal/External Partnership Improvements (salmon-related mitigation)	\$2 million

DNR

Riparian Open Space Program	\$2.5 million
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State Conservation Commission

Conservation Reserve Enhancement Program	\$2 million
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Total Capital \$ 119.8 million

2003-05 Operating Budget

Governor's Salmon Recovery Office	\$1.1 million
Monitoring Strategy	\$0.5 million
Lead Entities (½ state, ½ federal)	\$3.2 million
DOE watershed planning grants	\$8 million
Regional Planning	<u>\$4.4 million</u>
Total	\$17.2 million

Primary Salmon Recovery Organizations and Funding Process

Keys to Recovery

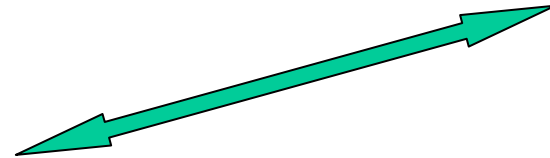
Water Quality
Water Quantity/Supply
Habitat
Hatcheries
Harvest



Water Resource Inventory Areas*
-Lead Entities



Regional Organizations*



State Agencies
-Fish and Wildlife
-IAC
-Ecology
-Conservation Commission
-Gov's Salmon Office



Federal Agencies
-Fish and Wildlife
-NOAA- Fisheries



Congress
State Legislature
Others

* Participants include:
-Local Governments
-Water Supply Utilities
-Tribes
-Water Resource Stakeholders
-Others

Process:

Planning

-Assess Situation

-Develop Strategy

Plan Implementation

Evaluation

HIGHER EDUCATION

Overview

"Higher education" encompasses the campuses of the state's six four-year universities and the numerous facilities utilized by the 34 individual colleges that make up the community and technical college system.

2003 Session

The legislature appropriated \$759 million for higher education facilities in the 2003-05 capital budget, about 30% of the total budget. Of this amount, \$581 million is financed by state bonds. The legislature passed a separate higher education bond bill authorizing \$750 million in additional bonds for new space and preservation/renovation of existing space. These bonds are expected to be appropriated over approximately 3 biennia, including 2003-05; \$170 million of this was appropriated in 2003.

The legislature also enacted 2ESHB 2151, requiring the 4-year institutions to prioritize their cumulative capital requests in a manner similar to the community and technical colleges, beginning with the 2005-07 budget request.

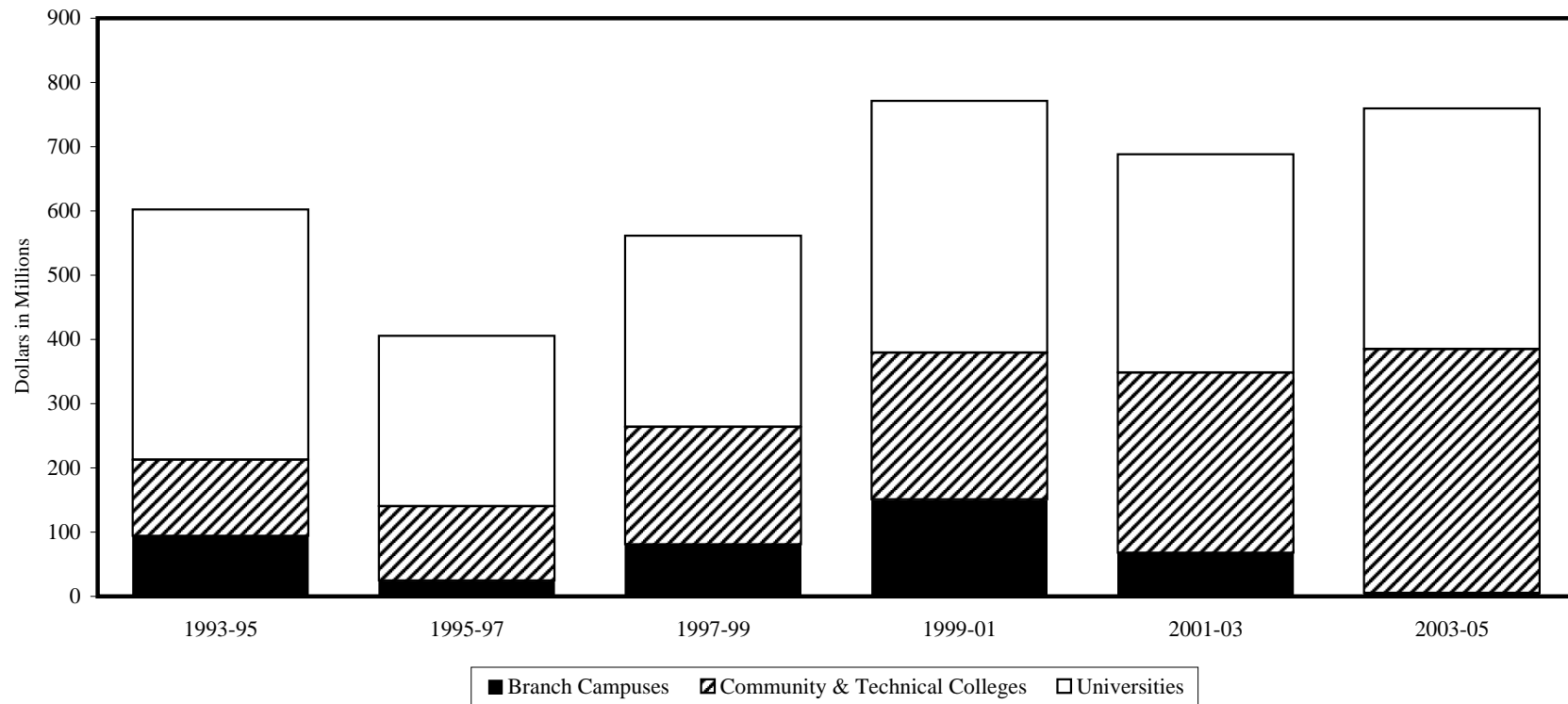
In an effort to focus on preventative maintenance (and assist the operating budget) and focus on the extensive facility preservation backlog, the legislature added provisions on these items to the 2003-05 budget. Funds for building system maintenance traditionally appropriated in the operating budget were appropriated in the capital budget last session.

Potential 2004 Issues

The Governor is proposing to fund approximately \$90 million in additional higher education projects in the 2004 supplemental budget using Gardner-Evans bonds. The prioritized list under 2ESHB 2151 is not required until budget preparations for the 2005 session.

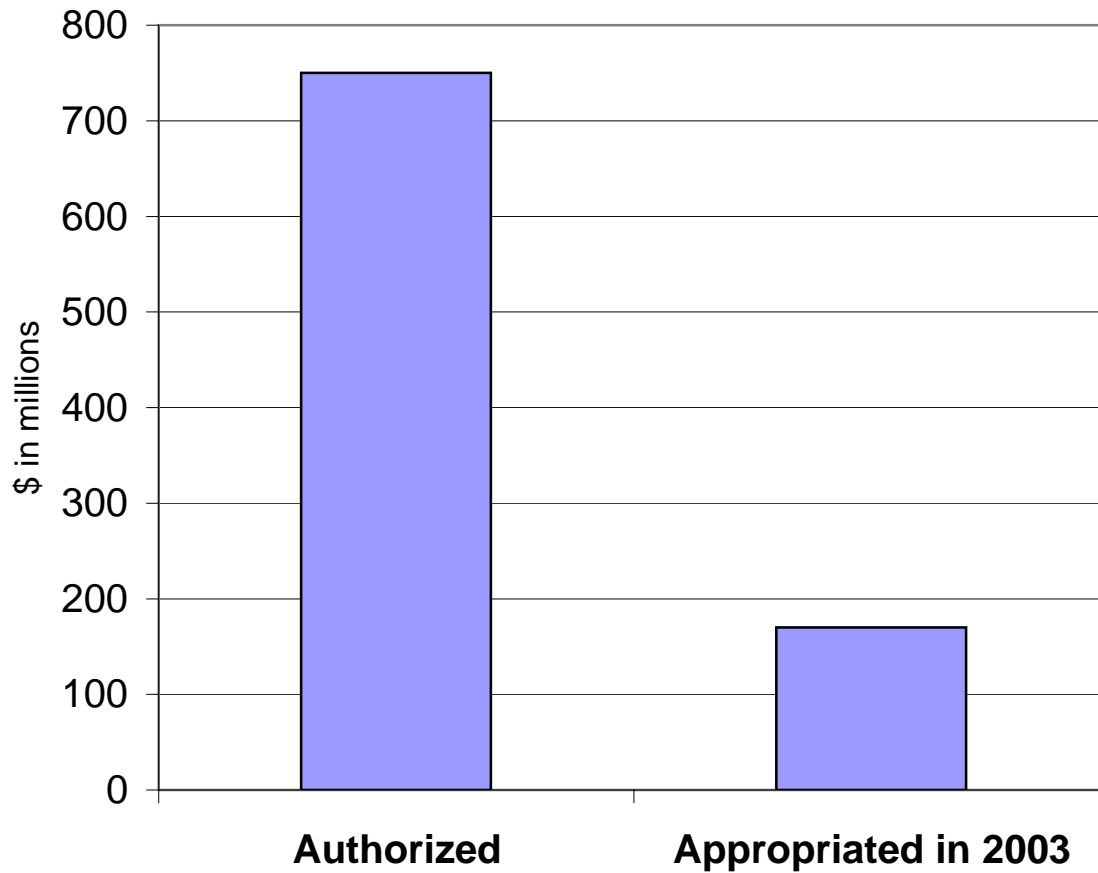
Higher education institutions may ask the legislature to revisit the decision to fund building system maintenance and operating expenses in the capital budget instead of the traditional operating budget. The legislature may also consider greater coordination between the facility backlog reduction approach initiated in 2003 and traditional minor works appropriations.

Higher Education Historical Capital Budget Levels



	1993-95	1995-97	1997-99	1999-01	2001-03	2003-05
Branch Campuses	93,944,782	24,585,000	80,846,876	150,820,000	67,799,000	5,200,000
Community & Technical Colleges	118,839,560	115,971,517	183,178,796	228,554,700	280,529,766	380,007,055
Universities	389,646,903	264,974,855	297,573,538	391,852,249	339,961,678	374,450,144
Total	602,431,245	405,531,372	561,599,210	771,226,949	688,290,444	759,657,199

Gardner-Evans Higher Education Bonds



- Notes:
- (1) Bond bill (SSB 5401) states intent is to augment traditional capital budget appropriations.
 - (2) Bond bill intends to enhance enrollment capacity by funding new space or maintaining usefulness of existing space through preservation and renovation.
 - (3) These bonds are expected to be appropriated over 3 biennia.

EDUCATION

Overview

"Education" includes state support for the construction of public schools by local school districts, as well as funding for the museums operated by the state historical societies. A small portion of funding is also provided to support the facilities used by the state schools for deaf and blind children. The biennial appropriation for school construction is generally the single largest appropriation in the Capital Budget.

The state assistance to local school districts for construction and renovation of public schools is provided through a formula based primarily on eligible square feet and a construction cost allowance. The state matches some, but not all, of the district's capital expenses for a project, and districts are eligible for state assistance only if they have a local match (usually a local bond authorization). In addition, the state provides funds to local districts based on an equalization policy, where districts with fewer resources receive a greater state match. While the state match is 50% based on the state formula, the actual match is around one-third of the districts' eligible costs because the formula does not recognize what the districts indicate their actual costs per square foot are and their actual space needs per student.

2003 Session Summary

The legislature appropriated \$415 million for this area, or 16% of the total budget; of this amount, \$405 million was for K-12 public school construction assistance. The legislature increased the school construction assistance to public schools by providing funds to increase the area cost allowance component of the state formula.

Potential 2004 Issues

Due to the magnitude of the state's school construction assistance program, the State Board of Education prefers to maintain a large cash balance in the Common School Construction Fund. The cash balance is expected to decrease by \$11 million to about \$34 million due in part to lower trust revenues.

Capital Budget K-12 School Construction Appropriations (\$ in millions)

